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I. INTRODUCTION

This is a classic case of a plaintiff rushing to the courthouse-albeit after delaying for four years-to claim injury before any harm, irreparable or otherwise, has become sufficiently imminent and immediate as to require drastic injunctive relief from a defendant who has been in business for twenty years and has enjoyed the *goodwill* associated with a superior product of outstanding quality that the public has come to know and appreciate.

As a threshold matter, Plaintiff has no valid Trademark under federal or state law. Consequently, Plaintiff cannot show any probability of success on the merits. Even if Plaintiff did have a valid Trademark, the more appropriate remedy would be monetary damages rather than injunctive relief. However, this Court need not reach any resolution of whether Plaintiff has demonstrated a likelihood of success on the merits because there is a much easier basis for the Court to deny Plaintiff's request for emergency relief: **there is no emergency**. Plaintiff's strongest argument for emergency relief is that merchants will not sale his products because of trademark confusion and that without injunctive relief, his perishable food products are at risk of spoiling. Yet, the food products in question are canned, bottled, and dry goods, all of which have sufficient shelf life beyond the date of trial in this matter.

D&D Gold respectfully requests this Court to deny Plaintiff's unjustified Motion for Preliminary Injunction for the following reasons:

1. *Plaintiff has failed to demonstrate that irreparable harm will result if a preliminary injunction is not issued because there is no temporal urgency in seeking emergency relief for food products that have a three-to-five year shelf life;*

2. *Plaintiff fails to establish that the balance of hardship favors issuance of a preliminary injunction because, the truth is, D&D Gold is the real victim that will suffer substantially greater hardship if it is enjoined from using its mark, which has incurred significant goodwill in its high-quality products;*
3. *Plaintiff cannot show a probability of success on the merits because Plaintiff has not shown that it owns a valid trademark to begin with; and*
4. *Monetary damages will afford complete relief to Plaintiff if he prevails at trial.*

Based on the foregoing reasons, issuance of a preliminary injunction would be tantamount to a final, erroneous decision on the merits.

II. STATEMENT OF FACTS

The facts are set forth in the accompanying declaration of Trong Van Nguyen, and the exhibits thereto.

A. FACTS RELATING TO THE UNDERLYING LAWSUIT

Trong Nguyen and Sam Liang became friends in the early eighties. Liang was working for a man named Luu, who was the sole shareholder of D&D Gold Products Corporation. Liang complained to Nguyen that Luu was making him work long hours without pay. The only benefit to the arrangement was that Liang would be allowed to live in one of the rooms in Luu's home.

Liang told Nguyen that D&D Gold would be shutting down because grand repairs were needed for the equipment and Luu could no longer afford to keep the company in business. Nguyen contacted Luu and proposed a business venture whereby Nguyen would make the necessary repairs to the equipment and help to

1 get the business profitable. Nguyen insisted that Liang receive compensation for
2 his labor. Luu told Nguyen he did not have any money but he did agree to transfer
3 some corporate shares to Liang.

4 Shortly after the company started to get back on its feet, Nguyen and Liang
5 entered into an agreement whereby Nguyen paid a sum of money to Luu for all of
6 his corporate shares. Nguyen became the majority shareholder with two-thirds of
7 the stock and Liang received the remaining one-third. Liang was appointed and
8 accepted his position as president of the company.

9 **1. Liang Is Caught Stealing Money From D&D Gold**

10 On or about January 4, 1995, while Liang was an Officer and Director
11 of D&D Gold Product Corporation, he secretly formed a competing corporation
12 called Golden Apex, Inc. Liang's secret corporation positioned itself as an
13 intermediary between D&D Gold and its own suppliers. Golden Apex purchased
14 merchandise and ingredients from the suppliers and then turned around and re-sold
15 the merchandise and ingredients to D&D Gold at a substantial markup. To make
16 matters worse, Liang and his wife, Stella Tran, used D&D Gold's own warehouse
17 facilities to manufacture products after hours and then sold the products at a
18 discount in direct competition with D&D Gold. This conspiracy continued for
19 about three years before the Nguyens ever even suspected the scam. The Nguyens
20 estimate that Liang and his wife usurped more than three million dollars in unjust
21 profits and conversion of goods from D&D Gold Products Corporation during this
22 time. (Nguyen Decl. ¶ 10.)

23 The Nguyens were devastated to learn that their trusted friend had deceived
24 them so. After the Nguyens confronted Liang about these discoveries, Liang
25 shamefully walked away from all and every duty that he assumed as President and
26 Director of D&D Gold Product Corporation. Thereafter, the Nguyens changed the
27 locks on the warehouse and all passwords to D&D Gold's bank accounts and
28 production systems. It was not long before the Nguyens began receiving irate

1 telephone calls from several merchants who were demanding their usual shipment
2 of merchandise. (Nguyen Decl. ¶11.)

3 The Nguyens learned that Liang and his wife, had been diverting D&D
4 Gold's merchandise and selling D&D products "after hours and from the back
5 door" on a cash basis. (Nguyen Decl. ¶8.)

6 As the deceit unraveled, word spread throughout the tight-knit Asian
7 community and the merchants and customers affirmed their loyalty to the Nguyens
8 and D&D Gold Product Corporation. Meanwhile, the Nguyens were trying to
9 negotiate a buyout of Liang's shares of D&D Gold stock. (Nguyen Decl. ¶ 12.)

10 **2. Liang Files a Retaliatory Lawsuit**

11 On or about February 6, 2001, in a surprising twist, Liang initiated a
12 lawsuit against the Nguyens! Naturally, defendants denied Liang's outrageous
13 accusations of negligence, waste, mismanagement, breach of fiduciary duty, etc.,
14 and cross-complained with allegations that Liang and his wife, Stella Tran,
15 conspired to defraud and convert the assets of D&D Gold Product Corporation,
16 resulting in millions of dollars in unjust profits and conversion of goods from D&D
17 Gold Products Corporation. (Nguyen Decl. ¶13.)

18 **3. The Settlement**

19 After three years of protracted litigation, the parties entered into a
20 settlement agreement whereby the Nguyens agreed to pay Liang the sum of
21 \$700,000 and Plaintiff agreed to surrender his ownership interest in D&D Gold
22 Corporation. D&D Gold had used several variations of a three-bell design/pattern
23 in marketing its products and establishing good will. During negotiations, Liang
24 insisted that the Nguyens assign one of the design/patterns to him.

25 ///

26 ///

27 ///

28

Therefore, the parties agreed to assign the following design/pattern to Liang and they specifically included a sample of the design/pattern as an exhibit to the Settlement Agreement:



Three Golden Bell Design /Pattern Assigned to Liang

(Nguyen Decl. ¶ 14,15.)

4. D&D Gold Begins Using Another Bell Design

The Settlement Agreement allowed for D&D Gold to exhaust its remaining merchandise bearing Liang's design in exchange for a licensing fee. D&D Gold immediately began using another three-bell design and affixed this distinctive mark on its packaging after the remaining inventory was exhausted:



D&D Gold Product Corporation's Registered Trademark

(Nguyen Decl. ¶ 17.)

5. D&D Gold Registers Trademarks To Protect Them From Third Party Exploitation

To ensure that the word "D&D Gold" would not be exploited by third party users, the Nguyens were advised to trademark the phrase. While the Nguyens believe they have a clear fair use defense in using the phrase "D&D

Gold," they have trademarked a different word mark, "D&D Gold Products," in conjunction with the three-bell design variation that was never contemplated to be part of the Settlement Agreement. (Nguyen Decl. ¶ 18.)

III. STANDARD FOR ISSUING A PRELIMINARY INJUNCTION

A preliminary injunction has the primary function is to preserve the *status quo* and to prevent irreparable loss of rights prior to judgment. *Sierra On-Line, Inc. v. Phoenix Software, Inc.*, 739 F.2d 1415, 1422 (9th Cir. 1984); *Faheem-El v. Klincar*, 841 F.2d 712, 717 (7th Cir. 1988) ("a preliminary injunction is a drastic and extraordinary remedy that is not to be routinely granted.")

In the Ninth Circuit, a party requesting a preliminary injunction must show "either (1) a combination of probable success on the merits and the possibility of irreparable harm, or (2) that serious questions are raised and the balance of hardships tips in the moving party's favor." *Rodeo Collection, Ltd. v. West Seventh*, 812 F.2d 1215, 1217 (9th Cir. 1987). These are not two separate tests. Rather, they are the opposite ends of a "continuum in which the required showing of harm varies inversely with the required showing of meritoriousness." *Id.* (internal quotations and citations omitted). A preliminary injunction is an extraordinary remedy--it is the exception, not the rule. *GTE Corp. v. Williams*, 731 F.2d 676, 678 (10th Cir. 1984), on remand, 649 F. Supp. 164 (D. Utah 1986), *aff'd*, 904 F.2d 536 (10th Cir. 1990). Injunction is a drastic remedy so the standard for an injunction is high. *Seiko Kabushiki Kaisha v. Swiss Watch International, Inc.*, 188 F.3d 1350, 1354 (S.D. Fl. 2002). Due to the great potential for harm from the issuance of an injunction, the moving party must sustain a heavy burden. *Bhiari v. Gross*, 119 F.Supp.2d 309, 315 (S.D.N.Y. 2000).

Based on the foregoing standard, Plaintiff's request for a preliminary injunction requires careful scrutiny in order to avoid any unnecessary harm to D&D Gold Product Corporation. Contrary to Plaintiff's claims, it is D&D Gold that will suffer substantial harm, and not Plaintiff, if it is stripped of its trademark

1 and, necessarily, its good will. Having already spent considerable sums to create,
 2 develop, and market its products and packaging, D&D Gold will lose the benefit of
 3 such efforts, incur substantial costs in rebranding the products, and, significantly,
 4 incur incalculable damage to its reputation among its merchants and customers.

5 Plaintiff's efforts to strip D&D Gold of its trademark, with no basis and after
 6 delaying until D&D Gold has developed even more goodwill can only be
 7 explained as a bad-faith attempt by Plaintiff to force a favorable monetary
 8 settlement from what it perceives to be a deep pocket.

9 IV. THERE IS NO EMERGENCY

10 Plaintiff urges this Court to consider the emergent nature of its "food
 11 products waiting in storage." See *Mission Power Eng'g Co. v. Continental Cas.*
 12 *Co.*, 883 F. Supp. 488, 490 (C.D. Cal. 1995). Plaintiff *misleads* this Court into
 13 believing the food products in question ". . . *will soon spoil and then will have to*
 14 *be discarded.*" The truth is, the food products will most certainly not spoil any
 15 time soon. D&D Gold respectfully reminds this Court that the food products in
 16 question are, in fact, canned and bottled goods and/or dry seasoning products, with
 17 a shelf life of three-to-five years.

18 If a trial on the merits is possible before the threatened harm will occur, a
 19 preliminary injunction should not issue. *Privitera v. California Board of Medical*
 20 *Quality Assurance*, 926 F.2d 890, 897 (9th Cir. 1991). The threat must have a
 21 temporal urgencies such that immediate and irreparable harm will occur if there is
 22 any delay in obtaining relief. *Mission Power Eng'g Co. v. Continental Cas. Co.*,
 23 883 F. Supp. 488, 490 (C.D. Cal. 1995). If the harm complained of is self-
 24 inflicted, it does not qualify as irreparable. *Caplan v. Fellheimer Eichen*
 25 *Braverman & Kaskey*, 68 F.3d 828, 839 (3rd Cir. 1995); *Salt Lake Tribune Pub.*
 26 *Co., LLC v. AT & T Corp.*, 320 F.3d 1081, 1106 (10th Cir. 2003).

1 Plaintiff cites to *Mission Power* to support the proposition that temporal
 2 urgency necessitates emergency relief. In *Mission Power*, the plaintiff
 3 inadvertently turned over privileged documents when responding to a request for
 4 production of documents. Plaintiff filed an ex parte application for an order
 5 shortening time to hear plaintiff's motion to compel the return of the documents on
 6 the basis that plaintiff would be irreparably prejudiced if its motion had to wait for
 7 a regularly calendared motion day. The court flatly denied plaintiff's ex parte
 8 application. *Id.* at 493.

9 The court admonished the attorney that ex parte communications are
 10 reserved for temporal urgencies such that immediate and irreparable harm will
 11 occur if there is any delay in obtaining relief. *Id.* at 489. The court then noted
 12 appropriate examples: "The tomatoes will spoil if we don't move them
 13 immediately;" or "If we alert them, they will move the yacht before we can seize
 14 it." *Id.*

15 Here, the food products in question are canned and bottled goods and/or dry
 16 seasoning products, not tomatoes. Canned and dry goods have a shelf life of three-
 17 to-five years and there is certainly no temporal urgency in seeking emergency
 18 relief. Therefore, the preliminary injunction should be denied.

19 **A. Plaintiff's Delay and Dilatory Behavior Undermines His Claim of**
 20 **Irreparable Harm**

21 Any delay in requesting injunctive relief undermines any claim of
 22 irreparable harm and may justify denial of a preliminary injunction. *GTE Corp.*,
 23 731 F.2d at 678; *Tough Traveler, Ltd. v. Outbound Products*, 60 F.3d 964, 968 (2d
 24 Cir. 1995), on remand, 989 F. Supp. 203, aff'd, 165 F.3d 15 (2d Cir. 1999), *cert.*
 25 *denied*, 527 U.S. 1036 (1999). Thus, if a defendant proves delay in moving for a
 26 preliminary injunction, it signals that there is no irreparable harm. See *Herbalife*
 27 *International, Inc. v. Lumene North America, LLC*, 2007 U.S. Dist. LEXIS 78436,
 28 at *15 (C.D. Cal. 2007).

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Here, Plaintiff, as the moving party, has delayed bringing the instant Motion for Preliminary Injunction by filing for relief nearly five years after the Nguyens applied for registration of the trademarks at issue.

In a futile attempt to intimidate the Nguyens, on or about October 1, 2008, Plaintiff, through his counsel, sent correspondence to the Nguyens making outlandish allegations regarding the registrations. When the Nguyens promptly countered the allegations in a letter dated October 13, 2008, Plaintiff made no further efforts to substantiate his baseless allegations until the filing of this Motion, two full months after the Nguyens' reply letter.

Even if Plaintiff asserts that there was possibility of resolution with the exchange of correspondence, there is no justification for Plaintiff waiting two months to bring this Motion, when there were no further efforts to meet and confer with the Nguyens. Courts have had no problem denying preliminary injunctive relief where there has been such delay, as there is no need for an extraordinary remedy. *Stokely-Van Camp, Inc. v. Coca-Cola Co.*, 2 U.S.P.Q.2d 1225, 1227 (N.D. Ill. 1987). Thus, Plaintiff's lack of exigency in bringing this Motion supports lack of irreparable harm and this Court should deny Plaintiff's Motion in its entirety.

B. Monetary Damages Will Afford Complete Relief to Plaintiff If He Prevails at Trial

Plaintiff has entered into a license arrangement with D&D Gold before, calling for a standard royalty payment. Thus, Plaintiff ultimately prevails in this action, damages can readily be determined by a trier of fact. Because money damages provide an adequate remedy at law, an equitable action for injunction cannot be maintained. *Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1078 (Fed. Cir. 1983) (reasonable royalty calculable if plaintiff had licensed its patented invention to numerous competitors); *Trust Co. Bank v. The Putnam Publishing Group, Inc.*, 5 U.S.P.Q. 1874 (C.D. Cal. 1988) (injunction denied in copyright

1 action as harm from lost sales could be adequately compensated by money
2 damages).

3 **V. THE BALANCE OF HARDSHIPS TIPS SHARPLY IN D&D'S**
4 **FAVOR BECAUSE PLAINTIFF SEEKS TO ALTER THE STATUS**
5 **QUO BY HALTING D&D GOLD'S ALREADY ESTABLISHED USE**
6 **OF ITS TRADEMARK**

7 It has been said that where preliminary relief will alter the status quo, or will
8 provide substantially all the relief sought, and that relief cannot be undone even if
9 the defendant prevails at a trial on the merits, a higher standard applies; and that
10 under this higher standard a preliminary injunction should issue only upon a clear
11 showing that the moving party is entitled to the relief requested, or where extreme
12 or very serious damage will result from a denial of preliminary relief. *24 Hour*
13 *Fitness USA, Inc. v. 24/7 Tribeca Fitness, LLC*, 277 F. Supp. 2d 356, 361
14 U.S.P.Q.2d (BNA) 1031, 1033 (S.D. N.Y. 2003).

15 Even if Plaintiff had met its burden of proof to show that it owns valid
16 protectable trademarks and irreparable harm, or to raise serious questions about the
17 merits of this case, the balance of hardships in this instance tips sharply in D&D
18 Gold's favor.

19 If the injunction does not issue, Plaintiff would be in the same situation it
20 has been for the past four months. Plaintiff has only offered hypothetical sales; has
21 not suffered any actual confusion; and relies only on the presumption of irreparable
22 harm to its purported trademarks.

23 D&D Gold, on the other hand, will suffer great hardship if an injunction is
24 issued. D&D Gold's will incur substantial expenses and will face financial strife if
25 it is force to rebrand and redevelop its products. Further, D&D Gold would lose
26 goodwill with its merchants and customers because they would be prevented from
27 using a name in the public domain even though others are free to use the name.
28 D&D Gold would incur customer backlash for removing their products from the
merchants' shelves, only to have them replaced if it wins at trial.

**VI. PLAINTIFF FAILS TO SHOW A PROBABILITY OF
SUCCESS ON THE MERITS**

Plaintiff's motion is directed only to its claims of trademark infringement under 15 U.S.C. § 1114 and trademark dilution under 15 U.S.C. § 1125(c). Plaintiff cannot demonstrate a likelihood of success on either claim because he did not show that it actually owns valid trademark rights. Even if he did, D&D Gold's fair use and abandonment defenses preclude Plaintiff's claims.

A. Plaintiff is Not Likely to Succeed on the Merits Because He Has Not Shown that He Owns Valid Trademarks

To be successful on his claim of infringement of a registered trademark under 15 U.S.C. § 1114, or an unregistered mark under 15 U.S.C. § 1125(a), Plaintiff must demonstrate (1) ownership of a valid trademark, and (2) the alleged infringer is using a mark that is likely to cause confusion, or to cause mistake, or to deceive consumers. *Reno Air Racing Ass'n, Inc. v. Jerry McCord*, 452 F.3d 1126, 1134 (9th Cir. 2006); see also *M2 Software Inc. v. Madacy Entm't*, 421 F.3d 1073, 1080 n.5 (9th Cir. 2005). In order to prevail on its dilution claim, Plaintiff must also demonstrate that it owns a valid trademark. See *ETW Corp. v. Jireh Publ., Inc.*, 332 F.3d 915, 923 n. 7 (6th Cir. 2003). If Plaintiff meets the first hurdle, the Court will then consider whether there is a likelihood of confusion or likelihood of dilution. *Toho Company, Ltd v. Sears, Roebuck & Co.*, 645 F.2d 788, 790 (9th Cir. 1981); *Nancy Ann Storybook Dolls, Inc. v. Dollcraft*, 197 F.2d 293, 296 (9th Cir. 1952) ("But when the trade-mark claim falls to the ground because these names do not constitute valid trade-marks, the rest of [plaintiffs] case goes by the board."); See *ETW*, 332 F.3d at 923 n. 7.

Here, Plaintiff has ignored and certainly has not met the first prong of the test by not owning a valid trademark. By diligently listing the factors required to show likelihood of confusion, Plaintiff is trying to confuse and mislead this Court into ignoring the chief requirement of actual trademark ownership.

1 **1. Plaintiff Has Not Met His Burden to Establish Rights in any**
 2 **False Designation of Origin Claim Based on 15 U.S.C. § 1125(a).**

3 Infringement of unregistered marks must be pursued as an unfair
 4 competition action. See 15 U.S.C. § 1125(a). Further, the owner of an unregistered
 5 mark will have to establish the validity of the mark, as well as his right to use the
 6 mark.

7 The trademark infringement claim is predicated on Plaintiff's contention that
 8 D&D Gold's use of the marks are likely to cause confusion for "actual or potential
 9 customers of Liang's products, and will damage the goodwill associated with
 10 Liang's Three Bells Mark." Plaintiff alleges, "merchants will not accept goods
 11 from Liang because they wrongly believe [D&D Gold] to be the owners of the
 12 three bells design." Plaintiff goes on to explain that if D&D Gold is permitted to
 13 continue marketing its products, customers will be misled into believing D&D
 14 Gold is acting on behalf of Plaintiff. [Compl. ¶33, 34.]

15 Aside from the obvious flaw in Plaintiff's logic, (that he has any goodwill at
 16 all), the claim for trademark infringement fails for two reasons. First, the
 17 Partnership Agreement, upon which Plaintiff relies, demonstrates that Plaintiff has
 18 no rights to the name, goodwill, or merchandise revenues. Second, there is no
 19 possibility of confusion as to the source of the merchandise because Plaintiff has
 20 never had any merchandise. It is clear that consumers and indeed merchants
 21 believe D&D Gold to be the owners of the three bells design because D&D Gold
 22 has continued to market its products since the parties went their separate ways.

23 D&D Gold's merchants and customers have longstanding relationships with
 24 D&D Gold and have been purchasing its products for twenty years. The only
 25 confusion as to the source of the merchandise will arise when and if Plaintiff
 26 begins tries to his merchandise with the three bells logo, at which time D&D Gold
 27 will surely move for an emergency preliminary injunction.
 28

1 2. **D&D Gold's Ownership of the Goodwill Bard Plaintiff's**
 2 **Trademark Claims.**

3 Section 43(a) of the Lanham Act "prohibits actions like trademark
 4 infringement that deceive consumers and impair a *producer's goodwill*." *Dastar*
 5 *Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 32 (2003). Indeed, the
 6 entire purpose of trademark law is to "provide [] national protection of trademarks
 7 in order to secure to the owner of the mark the *goodwill* of his business and to
 8 protect the ability of consumers to distinguish among competing producers." *Park*
 9 *'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 198 (1985).

10 As threshold matter, trademark law requires an *existing business* to which
 11 *goodwill* could attach. See *Siegel v. Chicken Delight, Inc.*, 448 F.2d 43, 48 n. 2 (9th
 12 Cir.1971) ("a trade-mark does not confer upon its owner the right to prohibit a
 13 competitor's use of the mark *unless the owner himself uses the mark in*
 14 *connection with an existing business*"). California law defines business *goodwill*
 15 as property. Section 14102 of California's Business and Professions Code is even
 16 more to the point: "The goodwill of a business is property and is transferable."

17 Here, the *goodwill* in question is certainly not that of the Plaintiff. He
 18 transferred all of his D&D Gold ownership and necessarily the goodwill associated
 19 with it, nearly five years ago. Surely, Plaintiff is not attempting to argue that he
 20 has "goodwill" in products belonging to D&D Gold. How can Plaintiff allege
 21 likelihood of confusion for products he has **never even introduced into the**
 22 **United States marketplace?**

23 Plaintiff has admitted through the Partnership Agreement and the allegations
 24 in the Complaint that it has no right to the *goodwill* engendered by D&D Gold
 25 Corporation and no rights to the merchandise revenues. The *goodwill* is what is
 26 represented by the trademark. Since Plaintiff has no right to the *goodwill*, or to the
 27 name D&D Gold, he does not have the right to allege a trademark infringement
 28 against D&D Gold because D&D Gold owns the name and *goodwill*.

3. The Trademark Rights Follow the Name and the Goodwill.

Conveyance of goodwill generally includes tradenames and trademarks. *Morand Bros. v. Chippewa Springs Corp.*, 2 F.2d 237, 239 (7th Cir. 1924). Just as the good will follows the name, a trademark of a particular business or of its owner is auxiliary to, and an inseparable part of, the good will of the enterprise.

“It may be added that it is the purpose of the law to protect by registration or injunction the exclusive use of a name, symbol, or sign of the ownership of a particular business to preserve and increase the value, patronage, and good will of the enterprise. A trademark, name, or sign of a particular business of an owner thereof is auxiliary to, and an inseparable part of, the good will of its possessor.” *Hall v. Holstrom*, 106 Cal.App. 563, 569 (1930) (Emphasis supplied.)

Both at common law and under the Lanham Act, there are no rights in a trademark alone, and therefore no rights can be transferred apart from the product or business with which the mark has been associated. *Berni v. International Gourmet Restaurants of America, Inc.*, 838 F.2d 642 (2d Cir. 1988); *Adams Apple Distributing Co. v. Papeleras Reunidas, S.A.*, 773 F.2d 925 (7th Cir. 1985); *Mister Donut of America, Inc. v. Mr. Donut, Inc.*, 418 F.2d 838 (9th Cir. 1969), since a trademark can have no existence in gross, unconnected to a business by which it is used. See *Beauty Time, Inc. v. VU Skin Systems, Inc.*, 118 F.3d 140 (3d Cir. 1997).

The purpose of the rule prohibiting the sale or assignment of a trademark in gross is to prevent a consumer from being misled or confused as to the source and nature of the goods or services that he acquires; use of the mark by the assignee in connection with a different goodwill and different product would result in a fraud on the purchasing public who reasonably assume that the mark signifies the same thing, whether used by one person or another. *Sugar Busters LLC v. Brennan*, 177 F.3d 258 (5th Cir. 1999).

1 It is based on the foregoing analysis that D&D Gold's continued use of the
2 three bells design in connection with its products for the past five years forecloses
3 Plaintiff's trademark claims.

4 **B. Plaintiff is Not Likely to Succeed on the Merits Because D&D Gold is**
5 **Likely to Show that the Marks are Abandoned When Plaintiff Did Not**
6 **Continuously Use the Marks for Three Years**

7 D&D Gold's defense of abandonment is based on Plaintiff's failure to
8 continuously use the registered marks for more than three consecutive years from
9 April 2004 to October 2008, which is prima facie evidence that the registrant has
10 abandoned its trademark rights. 15 U.S.C. § 1127.

11 Here, the marks are abandoned, as Plaintiff has admitted that he made
12 attempts to reopen a plant in California to continue his business but was
13 unsuccessful until he relocated to China and made his first shipment to the United
14 States in 2008. The interim period in which Plaintiff was developing his new
15 business confirms that Plaintiff did not use the mark for at least three years.
16 Therefore, this prima facie evidence will support D&D Gold's showing that
17 Plaintiff has abandoned the marks at issue.

18 **C. Plaintiff is Not Likely to Succeed on the Merits Because D&D Gold's**
19 **Fair Use Defense is an Absolute Defense**

20 Even if Plaintiff could prove that he owns valid trademarks, D&D Gold
21 asserted the related defenses of fair use in its Answer, which would bar all of
22 Plaintiff's claims, including possible consumer confusion. *Bhiari*, 119 F.Supp.2d
23 at 321; *ETW*, 332 F.3d at 923 n. 7 (dilution claim); *The Schafer Co. v. Innco Mgmt.*
24 *Corp.*, 797 F. Supp. 477, 482 (E.D.N.C. 1992), aff'd w/o op., 995 F.2d 1064 (4th
25 Cir. 1993) (common law claims). Pursuant to 15 U.S.C. § 1115(b)(4) (and the
26 common law), a claim of trademark infringement is subject to the defense of fair
27 use.
28

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1 That section provides:

2 That the use of the name, term, or device charged to be an infringement is a
3 use, otherwise than as a mark, of the party's individual name in his own
4 business, or of the individual name or anyone in privity with such party or a
5 term or device which is descriptive of and used fairly and in good faith only
6 to describe the goods or services of such party, or their geographic origin.

7 The Supreme Court held that the defendant has no independent burden to
8 negate the likelihood of any confusion in raising the affirmative defense that a term
9 is used descriptively, not as a mark, fairly, and in good faith. *KP Permanent*
10 *Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 118-19, 125 S.Ct. 542,
11 548-49 (2004). In doing so, the Court noted the “undesirability of allowing anyone
12 to obtain a complete monopoly on use of a descriptive term simply by grabbing it
13 first,” and that the Lanham Act was not meant to deprive commercial speakers of
14 the ordinary utility of descriptive words. *Id.* The Supreme Court further noted that
15 “if any confusion results, that is a risk the plaintiff accepted when it decided to
16 identify its product with a mark that uses a well known descriptive phrase.” *Id.*
17 (internal citations omitted).

18 Indeed, a trademark is not a right in gross that enables a holder to enjoin all
19 reproductions. *ETW*, 332 F.3d at 922; see also, *Mattel, Inc. v. MCA Records, Inc.*,
20 28 F.Supp.2d 1120, 1141 (C.D. Cal. 1998), *aff'd*, 296 F.3d 894 (9th Cir. 2002).
21 Yet, in this case, Plaintiff is attempting to do exactly that and by monopolizing the
22 three-bell design to prevent D&D Gold from using the name or design in any
23 manner. However, a simple design consisting of three bells, commonly attached
24 to Christmas, holidays, and other festive events, is not enough to bar others from
25 using a design or pattern that may seem similar. Plaintiff cannot expect to
26 effectively and exclusively control such a common icon in the public domain.
27 *Nancy Ann*, 197 F.2d at 295. Such a monopoly is adverse to the public interest. If
28 the Nguyens’ use is an infringement of Plaintiff’s trademark rights in its stylized

1 versions of three bells or otherwise, it is tantamount to allowing Plaintiff to own a
 2 common icon in gross. That is certainly not the purpose of trademark law. See
 3 *Nancy Ann*, 197 F.2d at 295.

4 Finally, Plaintiff has failed to produce evidence that the Nguyens' use of the
 5 name was unfair or in bad faith. The fact that the Nguyens' applied with the Patent
 6 and Trademark Office so soon after entering the Settlement Agreement does not
 7 mean there was a willful breach. On the contrary, such a expeditious application
 8 demonstrates the Nguyens' good faith in protecting their new and distinct
 9 trademark--which falls outside of the Settlement Agreement--from third parties. In
 10 light of these facts, this Court will find that D&D Gold has a complete defense that
 11 will make it unlikely that Plaintiff will succeed on the merits.

12 **1. A bare allegation of breach of contract cannot support an assertion of**
 13 **trademark rights.**

14 The date of first use in commerce is the date that establishes priority as
 15 between claimants to a mark. (See, e.g., *Sengoku Works Ltd v. RMC Intern., Ltd.*
 16 (9th Cir. 1996) 96 F.3d 1217, 1219, as modified, 97 F.3d 1460 ("the party claiming
 17 ownership must have been the first to actually use the mark in the sale of goods or
 18 services").) The person who first uses the mark is the "senior user," and a person
 19 who later uses the mark is known as the "junior user." Junior users of a mark do
 20 not need to be disclosed in an application for federal trademark registration.

21 If an applicant has a good faith belief that it is the senior user, then the oath
 22 [in the registration application] cannot be fraudulent. Any alleged failure to
 23 disclose use by junior users is irrelevant and could not be material to the grant of a
 24 federal registration.

25 Therefore, Plaintiff's Fourth Cause of Action for cancellation based upon
 26 fraud on the USPTO must be dismissed.

1 **VII. PRELIMINARY RELIEF WOULD NOT SERVE THE PUBLIC**
 2 **INTEREST**

3 In addition, courts must consider the public interest as a factor in balancing
 4 the hardships when the public interest may be affected. See *Department of Parks*
 5 *& Rec. for State of Calif. v. Bazaar Del Mundo Inc.*, 448 F.3d 1118, 1124. As
 6 previously discussed, the purpose of the rule prohibiting the sale or assignment of a
 7 trademark in gross is to prevent a consumer from being misled or confused as to
 8 the source and nature of the goods or services that he acquires. *Sugar Busters*, 177
 9 F.3d 258 (5th Cir. 1999). This is because the subsequent use of the mark by the
 10 assignee in connection with a *different goodwill* and different product would result
 11 in a fraud on the purchasing public who reasonably assume that the mark signifies
 12 the same thing, whether used by one person or another.

13 Here, D&D Gold's merchants and customers have longstanding
 14 relationships with D&D Gold and have been purchasing its products for twenty
 15 years. The only confusion as to the source of the merchandise will arise when and
 16 if Plaintiff begins to his merchandise with the three bells logo, at which time
 17 D&D Gold will surely move for an emergency preliminary injunction because
 18 Plaintiff's inferior product would result in a fraud on the purchasing public.

19 **VIII. PLAINTIFF MUST SUBMIT A SUBSTANTIAL BOND IF THE**
 20 **INJUNCTION WERE TO ISSUE**

21 If the Court enters an injunction, the bond that Plaintiff should be required to
 22 post should be substantial. When setting the amount of security, district courts
 23 should err on the high side. *Mead Johnson & Co. v. Abbott Labs.*, 201 F.3d 883,
 24 888 (7th Cir. 2000). In the instant case, if an injunction issues, the appropriate
 25 bond amount should be \$5 million.

1 **VIII. CONCLUSION**

2 Plaintiff's motion should be denied because Plaintiff has failed to meet its
 3 burden of proof that it owns valid trademarks, which are a condition precedent to
 4 Plaintiff's claims. Even if the condition precedent was satisfied, Plaintiff's claims
 5 are barred by fair use. Finally, Plaintiff's unjustifiable delay in waiting more than
 6 four years to file this motion demonstrates that there is no irreparable injury. The
 7 balance of hardships tips sharply in D&D Gold's favor, as its goodwill and
 8 reputation would be significantly damaged if the injunction were issued.
 9 Therefore, this Court must deny Plaintiff's Motion for Preliminary Injunction.

10
 11 Dated: January 16, 2009

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